

Exhibit No. 6Date 4-9-07Bill No. HB 95**HB 95*****Moving Toward "Competitive Compensation" for  
MUS Optional Retirement Program (ORP) Members***

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**BACKGROUND**

In the late 1980s and early 1990s, the Legislature and Montana University System (MUS) adopted an "optional retirement program" (ORP) for university faculty. In 1993, all new and future-hired faculty were mandated into the ORP. As of 2006, more than ½ of all faculty statewide are enrolled in the ORP rather than in TRS. By 2015 or so, it is likely that 90% of Montana faculty will be enrolled in the ORP.

The ORP investment program is and has since inception been administered by TIAA-CREF. Under the ORP, employee contributions of 7.15% are placed directly into individual TIAA-CREF accounts rather than be contributed to TRS. MUS employer contributions of 4.956% are to members ORP accounts, and MUS also pays TRS 4.04% of salary to amortize past and future service liabilities for faculty remaining in TRS.

**1. PROBLEM**

Combined employee and employer contributions to individual ORP accounts are limited by 19-21-203(1) MCA to 12% of ORP enrollees' salary. This total contribution to ORP accounts is roughly 2.6% less than combined employee (7.15%) and employer (7.47%) – or 14.62% contributions to TRS for TRS enrolled faculty. MUS contributions to ORP member accounts are far less than commonly contributed by other public university systems to member TIAA-CREF accounts in other western states. The shortfall in MUS contributions to accounts undermines compensation levels for a growing share of Montana's university faculty and reduces MUS competitiveness when seeking to recruit and retain faculty within the MUS system.

**2. PROPOSED CHANGE – WHAT THE PROPOSED LEGISLATION WOULD DO**

HB 95 would amend 19-21-203(1) MCA, raising the combined employer and employee contribution to individual accounts from 12% to 13% of ORP enrollees' salary. The proposal (a preliminary draft appears below) would increase the MUS employer's contribution from 4.956% by +1%, to 5.956% of salary.

This +1% increase in MUS contribution to ORP accounts is estimated to cost an additional \$1.1 million in FY08. The proposal would provide a state general fund statutory appropriation to fund the MUS's additional cost.

This proposal only affects TRS-ORP members as they are the only group of government employees who are involuntarily enrolled into the ORP upon hire.

<b>Institution Name (ORP)</b>	<b>Contribution Rate</b>
University of Alaska 1990	Employer – 8.65% Employee – 11.67%
Arizona Board of Regents 1975	Employer – 7% Employee – 7%
Arizona Community Colleges	Employer – 5.2% Employee – 5.2%
University of Colorado 1924	Employer – 10% Employee – 5%
Colorado State University 1992	Employer – 9% Employee – 8%
University of Northern Colorado 1992	Employer – 11.5% Employee – 8%
University of Southern Colorado and Ft. Lewis College 1994	<b><u>USC</u></b> Employer – 11.1% Employee – 8% <b><u>Ft. Lewis</u></b> Employer – 11.4% Employee – 8%
Idaho ORP 1990	Employer – 7.72% Employee – 6.97%
Idaho Community Colleges 1997	Employer – 7.72% Employee – 6.97%
Montana University System 1988, 2002	<b><u>FACULTY</u></b> Employer – 4.956% Employee – 7.044%  <b><u>STAFF</u></b> Employer – 4.49% Employee – 6.90%
University of Nebraska 1961	<b><u>Optional</u></b> Employer – 6% Employee – 3.5% Or Employer – 7.5% Employee – 5.5%
Nebraska State Colleges 1964	Employer – 7.5% Employee – 6%

Nebraska Community Colleges 1964	Employer - 5.50%, 6.50%, 7.50% Employee – 5.50%, 6.50%, 7.50%																					
University of Nevada System 1972	Employer – 10% Employee – 10%																					
New Mexico Alternate Retirement Plan 1991	Employer – 8.60% Employee – 7.6%																					
North Dakota University System 1964 (Single Plan)	<p><b><u>Class I</u></b> – Teaching and research faculty with ranks of professor or associate professor, research personnel with equivalent rank, and executive and administrative staff.</p> <p><b><u>Class II</u></b> – Teaching and research faculty with ranks of assistant professor or instructor, research personnel and lecturers with equivalent rank, and professional staff.</p> <p><b><u>Class I:</u></b></p> <table><tr><td><b><u>Years of Service</u></b></td><td><b><u>Institution's Contribution</u></b></td><td><b><u>Your Contribution</u></b></td></tr><tr><td>&lt; = 10</td><td>9.5% of salary</td><td>1.5% of salary</td></tr><tr><td>&gt; 10</td><td>10.0%</td><td>2%</td></tr></table> <p><b><u>Class II:</u></b></p> <table><tr><td><b><u>Years of Service</u></b></td><td><b><u>Institution's Contribution</u></b></td><td><b><u>Your Contribution</u></b></td></tr><tr><td>&lt; 3</td><td>4.5%</td><td>0.5%</td></tr><tr><td>&lt; = 10</td><td>9.5%</td><td>1.5%</td></tr><tr><td>&gt; 10</td><td>10.0%</td><td>2.0%</td></tr></table>	<b><u>Years of Service</u></b>	<b><u>Institution's Contribution</u></b>	<b><u>Your Contribution</u></b>	< = 10	9.5% of salary	1.5% of salary	> 10	10.0%	2%	<b><u>Years of Service</u></b>	<b><u>Institution's Contribution</u></b>	<b><u>Your Contribution</u></b>	< 3	4.5%	0.5%	< = 10	9.5%	1.5%	> 10	10.0%	2.0%
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Oregon State System Of Higher Education 1967 (amended 1996)	<p><b><u>PERS I</u></b> Employer – 9.49% Employee – 6%</p> <p><b><u>PERS II</u></b> Employer – 8.52% Employee – 6% (amended 1996)</p>																					
Oregon Health Sciences University 1996	As of 7/2001 Employer – 12%																					
Texas ORP 1968	Faculty, Admin, and Professional Employer – 6% Employee – 6.65%																					
Utah System of Higher Education 1923	Employer – 14.2% Employee – 0%																					

Washington State Institutions of Higher Education 1939	<u>Age &lt; 35:</u> Employer – 5% Employee – 5% <u>Age 35 – 50:</u> Employer – 7.5% Employee – 7.5% <u>Age 50 and above:</u> Employer – 10% Employee – 10%
Wyoming ORP – 1970	Employer – 11.25% Employee – 0%